



EFT EXCHANGE

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A Message from The Under Secretary

by John D. Hawke, Jr.
Treasury Under Secretary
for Domestic Finance

As you know, the Debt Collection Improvement Act requires the Federal government to issue all its payments (except tax refunds) electronically starting January 2, 1999. This initiative, known as "EFT (electronic funds transfer) 99," has far-reaching implications for millions of Americans.

We recently concluded a 90-day comment period on the proposed final regulation that will implement this law. During that time, we held four public hearings and received extensive written comments from financial, consumer and community-based organizations as well as elected officials and individuals. Treasury will review these comments before adopting a final rule in the Spring of 1998.

In developing the EFT 99 proposed regulation, we have been guided by four principles:

1. The transition to EFT should be accomplished with the interests of recipients being of paramount importance.
2. Recipients, especially those having special needs, should not be disadvantaged by the transition to EFT.
3. Our policies should maximize private sector competition for the business of handling Federal payments so that recipients not only have a broad range of payment options, but also receive their payments at a reasonable cost, with substantial consumer protections, and with the greatest possible convenience, efficiency and security.
4. We should strive through EFT 99 to bring recipients without accounts at financial institutions into the mainstream of the financial system.

The goal of EFT 99 is to provide benefits to Federal recipients at the lowest possible cost to taxpayers with the greatest degree of transaction security. The Federal government could save as much as \$100 million annually after full implementation of this new law. At the same time, we are

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Treasury Holds EFT 99 Community Outreach Initiative Meetings

Treasury recently hosted two meetings bringing together representatives from community-based, consumer advocacy and financial trade organizations to discuss implementation of EFT 99. Treasury hopes to develop working partnerships with organizations that can help deliver clear, credible and accurate information to the millions of payment recipients who will be affected by the new law. The half-day meetings were held Nov. 21, 1997, at the White House Conference Center in Washington, D.C., and on Dec. 8, 1997, at the Federal Reserve Bank of San Francisco, Los Angeles Branch, in Los Angeles.

The program's agenda included welcoming comments from Under Secretary for Domestic Finance, John D. Hawke, Jr., in Washington and Deputy Assistant Secretary for Community Development Policy, Michael Barr, in Los Angeles. Director of FMS' Cash Management Directorate, Bettsy Lane, and a Senior Advisor at the Treasury Department, Malcolm Carter, provided an overview of the EFT 99 public education campaign. Following these presentations, three breakout groups developed recommendations for public education campaign messages, materials and "in-touch programs" that will facilitate a smooth transition to EFT 99. A concluding discussion included reports from each breakout group.

EFT Public Education Campaign Will Reach Many Audiences

The Department of the Treasury, in conjunction with the Social Security Administration, Department of Veterans Affairs, Office of Personnel Management and Railroad Retirement Board, is now putting the finishing touches on a public education plan that will communicate the changes Federal payment recipients can expect with the January 2, 1999, EFT 99 mandate, the Federal government's move from paper checks to electronic funds transfer.

While explaining that electronic payment is an improvement over paper checks for most recipients, the campaign will seek to establish a foundation of knowledge about banking and electronic banking among check recipients, maximize awareness of EFT 99 options and the benefits of electronic payment, and correct misinformation about the options available to recipients - so recipients can make informed choices.

Public education efforts will be organized around several important stages of the implementation process:

- Pre-Rule period through Spring 1998, focusing on education and awareness. During this time, Treasury will review comments and testimony on the proposed final rule, and publish a final rule.
- Immediate Post-Rule period from Spring 1998 through Labor Day 1998. Options for payment and the benefits of electronic funds transfer will be explained in detail.
- Pre-Deadline period from Labor Day 1998 to the end of the year, a call-to-action phase preceding the Jan. 2, 1999, implementation date.

- Post-Deadline period, which begins when the rule becomes effective in January 1999 and during which important messages of the campaign will be reinforced.

Treasury and the Financial Management Service hope to involve the community-based, consumer and financial trade groups in outreach and education efforts to reach many different audiences. Partnership with these groups is crucial to the success of the campaign.

The campaign elements include:

- Message research with check recipients and affected parties
- Creation and distribution of educational and training materials
- Community outreach activities with partners (e.g., training trainers)
- Direct mail activities
- Media outreach
- Public service announcements (PSAs) and limited paid advertising

A comprehensive audit now under way will determine what information is already being disseminated about EFT 99 and help define what new informational materials may be useful. Educational materials are being developed for wide distribution across many different audiences, and the development of an advertising plan is under way. Meetings in Washington, D.C., and Los Angeles with community-based, consumer and financial trade organizations helped lay the groundwork for an important component of this outreach effort.

An EFT 99 pamphlet for use during the Pre-Rule period will be available in the next few weeks. Look for an order form in the mail.

Department of the Treasury Conducts Four Public Hearings

Testimony and Comments on the Proposed Rule are Available for Review

In an effort to learn more about the concerns Federal payment recipients and other stakeholders have regarding EFT 99, the Department of the Treasury conducted four public hearings in the fall of 1997 around the country. The hearings gave stakeholders the opportunity to enter into public record their recommendations about the proposed rule that will guide the implementation of the new law. Attendees also had the opportunity for a face-to-face discussion with senior government officials on hand.

The first of the hearings was held in Dallas on Oct. 14. The second was in New York City on Oct. 20 where Senator Alfonse D'Amato (NY) expressed particular concerns about protecting veterans and senior citizens. The third hearing took place in Baltimore on Oct. 30; and the fourth in Los Angeles; which included testimony from Rep. Maxine Waters. Representatives from consumer, financial and community-based organizations testified at all four hearings.

Testimony from the four hearings will become part of the public record and, along with the written comments, will be submitted directly to the Financial Management Service. This information will be considered fully in the final rulemaking process.

The public comment period for 31 CFR 208, which implements portions of EFT 99, closed on Dec. 16, 1997. Comments are available for public inspection and copying at the Department of the Treasury Library, Room 5030, 1500 Pennsylvania Avenue, NW, Washington, D.C. To make an appointment to inspect comments, please call the Library at (202) 622-0990.

In the Next EFT Exchange...

- Excerpts from recent demographic research.
- Progress on the proposed electronic transfer account (ETA).
- Profile of one community group's outreach efforts.

Reminder

- If you attended an EFT 99 Community Outreach Initiative meeting, please remember to return your questionnaire. Contact Harvey Gantz, Jr., at 202-622-5960 if you have any questions.

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determined that EFT 99 will not create a financial burden for the recipients.

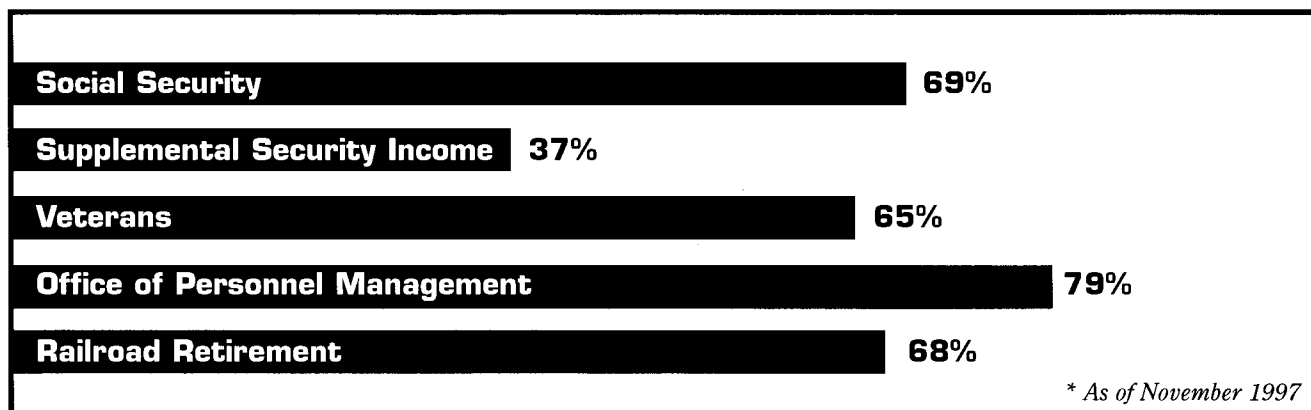
We have two decades of experience with direct deposit at Treasury, and tens of thousands of Americans already enjoy the advantages of electronic transfer for their payments. Since July 1996, an interim rule has required that all newly eligible recipients receive their payments this way unless the recipient does not have either an account with a financial institution or an authorized payment agent.

Our experience with these recipients has been instructive, and we are confident we can demonstrate to most check recipients the advantages of electronic funds transfer over paper checks. Feedback from recipients already using direct deposit has helped us define those advantages: EFT is safe, quick and convenient; EFT increases transaction security; and it can provide more Americans access to mainstream banking services.

We recognize the implementation of EFT 99 will not be an easy task, and we are taking extra steps to minimize difficulty for people making the transition. The key is going to be public education. Throughout the public hearings process, we heard extensively from organizations representing various recipients about the importance of getting clear, credible and accurate information out to the public in terms all Americans can understand.

We are asking for the partnership of consumer, community-based and financial trade organizations, who reflect a broad cross-section of the American public, to make this transition a success. We need the ideas, expertise and direct assistance of organizations whose members and constituents will be affected by or concerned about this change, and we hope that they will play a key role in this public education effort. We look forward to a continuing dialogue on the EFT 99 public education campaign.

EFT Payments by Benefit Type*



* As of November 1997

In Fiscal 1997, EFT payments represented 62% of all Treasury-disbursed payments, excluding tax payments.

Whom to call

If you have questions about the proposed rule process, community initiatives or any other issues relating to EFT 99, please feel free to contact the Financial Management Service and Treasury staff below:

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If you would like to be on the EFT Exchange mailing list, or to receive the EFT Exchange by E-mail, call the FMS Product Promotion Division at (202) 874-6540.

Look for more information about EFT 99 on the Financial Management Service website: www.fms.treas.gov/eft

